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U.S. Debt Information



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GOLD AT A GLANCE

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April 1983

**Goldman
Sachs**

J. ARON & COMPANY

A MEMBER OF THE GOLDMAN SACHS GROUP

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I. GOLD SUPPLY

More gold was mined in the 19th century than in the preceding 5,000 years. It has been calculated that the total gold recovery throughout history had reached only 321.5 million ounces by 1850.

In the first century after Columbus discovered America, world output of gold totalled roughly 24.1 million ounces.

Today annual mining production is approximately 44 million ounces. Of this, South Africa produces 48%; the Soviet Union, 24%; Canada, 5%; the United States, 3%.

Gold production on a large scale began in Russia in 1744, with a discovery near Ekaterinburg on the eastern slopes of the Urals; in the United States with James Marshall's discovery in January, 1848, near the confluence of the American and Sacramento Rivers in California; in Australia in 1850, with the discovery of gold in New South Wales, by Edward Hammond Hargraves a week after his return from California; and in South Africa in February, 1886, with the discovery of the Main Reef by George Harrison on a widow's farm in the Witwatersrand.

World's New Gold Supply, 1982:
(Million troy ounces)

MINE PRODUCTION

South Africa	21.4
Canada	2.0
United States	1.2
Other Market Economies	7.0

Subtotal 31.6

CENTRALLY PLANNED
ECONOMY SALES

8.0

Total New Supply 39.6

Sources: U.S. Bureau of Mines;
Chamber of Mines at South Africa;
Statistics Canada;
Gold Institute;
J. Aron Research Department.

Major holdings of gold, by country,
as of 1982:
(Million troy ounces)

GOVERNMENT RESERVES	1982
United States	264.0
Germany*	95.2
France*	81.9
Switzerland	83.3
Italy*	66.7
Other*	<u>341.4</u>
Subtotal	932.5
INTERNATIONAL ORGANIZATIONS	
IMF	103.4
BIS	7.3
EMCF	85.7
CENTRALLY PLANNED ECONOMIES	
Soviet Union (Est.)	60.0
China	12.7
PRIVATE HOARDING (EST.)	
France	205.0
Rest of Europe	67.0
Middle East	55.0
Far East	50.0
India	122.0
United States	122.0
Other	<u>63.0</u>
Subtotal	684.0
TOTAL	1,825.7

*Excluding amounts transferred to European
Monetary Cooperation Fund accounts in 1979

Sources: International Financial Statistics;
International Monetary Fund;
J. Aron Research Department Estimates.

II. THE USES OF GOLD

Primary uses of gold are in karat jewelry, in investment, in electronics, in dentistry, in industry or ornamentation; and as medallions or medals, etc. These break down as follows, according to a recent study by J. Aron & Co.:

Investment vehicles: bullion,	
coins, medallions, medals, etc.	28%
Karat Jewelry	58%
Electronics	5%
Dentistry	5%
Industrial or decorative uses	4%

From earliest civilizations, gold has been treasured for jewelry because of its appearance, scarcity, durability, and a malleability which lends itself to the finest craftsmanship. Its high value in small size has made gold literally, a "treasure", easily portable in times of emergency.

Gold's reflecting quality won global recognition when instruments on moon-landing vehicles were protected from destruction by solar heat with thin gold shields. Similarly, thin film and liquid gold are employed to shield jet aircraft engines and rockets from corrosion, as well as spacecraft and missiles requiring protection from radiation and from heat generated in re-entry.

Its excellence as a durable conductor has led to an increase in electronic use of gold from 2.2 million ounces in 1975 to 2.5 million ounces in 1981. There has been over the past decade a growing worldwide use of gold film to ornament skyscrapers. New York's Helmsley and Crown Buildings typify this trend.

World Gold Consumption, 1982:
(Million troy ounces)

FABRICATION DEMAND	1982e
<u>Industrial</u>	
Electronics	1.8
Dentistry	2.0
Other Industrial	1.6
Subtotal	5.4
<u>Jewelry</u>	
Developed Countries	13.5
Developing Countries	9.0
Subtotal	22.5
Total Consumption	27.9
STOCK CHANGES	
<u>Official Transactions</u>	
International Monetary	
Fund	--
United States	(0.8)
Canada	(0.2)
Other	2.0
Subtotal	1.0
<u>Net Private Purchases</u>	
Official Coins and Medallions	8.4
Bullion	2.3
Subtotal	10.7
Total Stock Demand	11.7
TOTAL WORLD DEMAND	39.6

e-estimates

Source: J. Aron Research Department.

III. WEIGHT AND PURITY

Gold, in its various forms and uses, is described in two frames of reference: weight and purity.

Weight

The weight of gold is described in terms of "troy ounces" or of grams. A troy ounce equals 1.09711 avoirdupois ounces (these are the ounces familiar to the general public for measurement other than precious metals). The troy ounce is 31.103 grams. (There are 24 grains to a pennyweight, and 20 pennyweight to a troy ounce.)

In metric measurement, one kilogram equals 32.15 troy ounces, and 1000 kilograms make a metric ton, equal to 1.1023 tons of standard U.S. measure.

Purity

Because of the extreme malleability of gold, it is alloyed with other metals for all practical uses -- even in bullion form. Purity is measured in karats, a word derived from the Greek Keration, the Arabic Qirat, and the Italian Carato, all referring to the fruit of the carob tree, whose pods were once used to balance the scales in Oriental bazaars.

24 karat gold is 100% pure gold
22 karats equal 91.67% pure gold
18 karats equal 75% pure gold
14 karats equal 58.3% pure gold
10 karats equal 41.6% pure gold

Requirements for jewelry grade gold vary around the world. In Asia most gold jewelry is 21 or 22 karat, that is, very pure; because of its widespread use for hoarding or inflationary hedging. In France and Sweden the lowest legal limit is 18 karat; anything below that is considered costume jewelry. In Spain gold jewelry is commonly 18 karat, and Belgium, Denmark, Luxemburg, the Netherlands, Norway and Switzerland recognize 14 karat as gold jewelry. In the United States, 10 karat is the minimum, in Great Britain 9 karat, and in Italy and West Germany 8 karat.

IV. HISTORY IN THE MODERN ERA

- 1511 AD -- King Ferdinand of Spain to explorers: "Get gold, humanely if you can, but at all hazards, get gold."
- 1711 -- Isaac Newton, as Master of the Mint, fixes the price of gold in Great Britain at 84 shillings, 11 $\frac{1}{2}$ pence per troy ounce. The Royal Commission, composed of Newton, John Locke and Lord Somers, recommends a recall of all old currency, issuance of new specie with gold/silver ratio of 16-to-1. The gold price thus established in Great Britain lasted for over 200 years.
- 1744 -- Discovery of gold in Russia.
- 1787 -- First U.S. gold coin struck by Ephraim Brasher, a goldsmith.
- 1792 -- The Coinage Act defined the U.S. dollar as equivalent to 24.75 grains of fine gold and 371.25 grains of fine silver.
- 1816 -- Great Britain officially, by Act of Parliament, ties the pound to a specific quantity of gold at which British currency was convertible.
- 1837 -- The weight of gold in the U.S. dollar was lessened to 23.22 grains so that one fine troy ounce of gold was valued at \$20.67.
- 1848 -- Discovery of gold in California.
- 1850 -- Discovery of gold in Australia.
- 1859 -- Comstock lode of gold and silver struck in Nevada.

- 1862 -- Latin Monetary Union established setting permissible fineness, weight, size and denomination of silver and gold coins of France, Italy, Belgium and Switzerland (plus Greece after 1868) and obligating all to accept each other's current gold and silver coins as full legal tender for payment.
- 1868 -- Discovery of gold in South Africa -- source of 35% of all gold ever mined.
- 1898 -- Gold rush in Klondike.
- 1913 -- Federal Reserve Act specifies that Federal Reserve Notes be backed 40% in gold at \$20.67 per troy ounce.
- 1914 -- Great Britain off the gold standard; Bank of England ends purchase or sale at fixed prices.
- 1922 -- International conference in Genoa establishes "gold exchange standard."
- 1925 -- Great Britain put back on gold bullion standard by Chancellor of the Exchequer, with currency redeemable for 400-ounce gold bullion bars but no circulation of gold coins.
- 1931 -- Great Britain abandons gold bullion standard.
- 1933 -- President Franklin D. Roosevelt limits bank gold transactions March 13; makes private gold ownership illegal by executive order, April 5; orders exchange of all gold for dollars at Federal Reserve Banks at rate of \$20.67 per ounce, by January 17, 1934. Some \$825,000,000 worth of gold is turned in.

- 1934 -- President Roosevelt reduces weight of the gold dollar to 15 5/21 grains nine-tenths fine, raising price of gold from \$20.67 per ounce to \$35; pursuant to the Gold Reserve Act of 1934, minting of gold coins was discontinued; private ownership of gold bars or bullion and coins by Americans was banned except under license from the Treasury.
- 1944 -- The Bretton Woods agreement, ratified by the U.S. Congress in 1945, re-established a central role for gold in the international monetary system. It involved setting par values for currencies in terms of gold and the obligation of member countries to convert foreign official holdings of their currencies into gold at these par values. In practice, countries met this obligation through purchase and sale of convertible currencies. The United States, however, met its obligation through buying and selling gold at \$35 per fine ounce in monetary transactions with foreign monetary authorities.
- 1945 -- Gold-backing of Federal Reserve Notes reduced to 25%.
- 1954 -- Reopening of London gold market, closed early in World War II.
- 1961 -- Americans forbidden to own gold abroad as well as at home.
- 1968 -- London Gold Market closes for two weeks after a sudden surge in demand for gold. Two-tier pricing system emerges: Official transactions between monetary authorities were to be conducted at an unchanged price of \$35 per fine troy ounce, and other transactions were to be conducted at a fluctuating free-market price.

- 1968 -- U.S. Mint terminates policy of buying gold from and selling gold to those licensed by the U.S. Treasury to hold gold.
- 1968 -- Gold backing of Federal Reserve Notes eliminated.
- 1971 -- On August 15, U.S. terminates all gold sales or purchases, thereby ending conversion of foreign officially held dollars into gold; in December, under the Smithsonian Agreement signed in Washington, U.S. devalues dollar by raising the official dollar price of gold to \$38 per fine troy ounce.
- 1973 -- On February 13, U.S. devalues dollar again and announces it will raise the official dollar price of gold to \$42.22 per fine troy ounce.
- 1974 -- Japan lifts prohibition on imports of gold.
- 1974 -- Americans permitted to own gold, other than just jewelry, as of December 31.
- 1975 -- Trading in gold for future delivery begins on Commodity Exchange of New York and International Monetary Market in Chicago.
- 1976 -- IMF sells one-third of its gold holdings, 25 million troy ounces to IMF members at SDR 35/ounce in proportion to members' shares of quotas on August 31, 1975, and 25 million troy ounces at public auction for the benefit of developing member countries.
- 1980

- 1978 -- Amended IMF Articles were adopted, abolishing the official IMF price of gold, gold convertibility, and maintenance of gold value obligations; gold was eliminated as a significant instrument in IMF transactions with members; and the IMF was empowered to dispose of its large gold holdings. By Act of Congress, the U.S. abolished the official price for gold. Member governments were free to buy as well as sell gold in private markets.
- 1978 -- U.S. Treasury sells 15.8 million troy ounces of gold to
to strengthen the U.S. trade balance and continue progress toward
1980 elimination of the international monetary role of gold.
- 1978 -- U.S. Congress passes American Arts Gold Medallion Act,
representing first official issue of gold piece for sale to
individuals in almost half a century.
- 1978 -- Japan lifts ban on gold exports, touching off a "gold rush"
among investors who can now sell as well as buy.
- 1980 -- Gold reaches intra-day historic high of \$870 on January 21 in
New York and by year-end closes at \$591.
- 1982 -- Congress passes Olympic Commemorative Coin Act, which includes
issuing the first legal tender U.S. gold coin since 1933.

V. GOLD COINS

The earliest known use of gold as a form of monetary exchange dates back to Egyptian King Menes, who set a fixed value on 14-gram monetary bars around 3200 BC. Gold was the first metal mentioned in the Bible (Genesis 2:10-12) and the Hebrew shekel (whose name was derived from an 8.34-gram Babylonian gold coin) was a 16.4-gram coin traded at a 13.33-1 ratio of silver to gold.

In Lydia -- in southwestern Turkey -- King Gyges minted gold coins shaped like lima beans around 700 AD, and in 560 BC the legendary King Croesus of Lydia minted the first round gold and silver coins at a 10-to-1 ratio. When the Persians under Cyrus conquered Lydia and seized its gold, the Persian "daric" became an internationally-accepted coin. Alexander the Great minted drachmas and staters which became the first worldwide currency.

It has been estimated that gold coins have been minted by 1,200 governments since that period and that over 2.5 billion gold coins are extant today. The gold historian, economist Ira E. Cobleigh, has reported that 1,200 different issues of coins emerged from Byzantine mints over an 800-year period.

Among the most famous and durable gold coins have been the Byzantine besant; the Arab dinar; the ducat, first struck in Venice in 1280 AD and later used as the name of coinage in Austria, Belgium, Bulgaria, Ceylon, Denmark, France, Germany, Hungary, Latvia Lithuania, the Netherlands, Norway, Poland, Scotland, Sweden, Switzerland and the Vatican; and the florin, minted in medieval Florence.

A coin which originated in Bohemia -- now Czechoslovakia -- gave the United States its nomenclature for currency, however. Silver coins struck near the a mine at Joachimsthal were called "thalers," which became "dalers" in the Netherlands, and dollars in England.

The American colonists, lacking currency, resorted to expedients of "country money" and "ready money." The former referred to a barter system involving warehouse receipts for tobacco, "rice ordewrs" anticipating harvests, fur skins and other products. "Ready money" referred to whatever currency of other nations turned up in the colonies, with the Spanish "pieces of eight," or milled dollars, as a favorite. Thomas Jefferson noted that "the Spanish dollar is a known coin and the most familiar of all to the mind of the people."

The first gold coin produced in the United States was modeled after the Spanish gold doubloon. Struck privately by a goldsmith named Ephraim Brasher, it bore an eagle on its obverse. In 1792 Congress passed the first national coinage law, establishing a true decimal system and providing for construction of the U.S. Mint in Philadelphia. This was the first of seven mints, located in San Francisco, Denver, New Orleans, Charlotte, N.C., Carson City, Nev., and Dahlonega, Ga.

The U.S. Mint produced its first coins in 1794, and the next year saw the introduction of the \$5 gold piece -- the only coin ultimately produced in all seven mints. Although the early coins bore no mark of value and fluctuated with the changing market value of gold, they were designated as eagles (\$10), half eagles and quarter eagles.

Because the eagles were given a value of 15 to 1 against silver, while the ratio in Europe was 15.75 to 1, U.S. gold coins were shipped abroad and melted for the profit. Minting of gold coins stopped and they disappeared from circulation early in the 19th century.

North Carolina was the source of gold early in the century, and in the 1830s the Beecher family in that state was permitted to produce bullion coins bearing the value of the bullion but no images. At that point the new coinage law of 1834 set the silver-gold ratio at 16 to 1, and new quarter and half eagles were minted.

The discovery of gold in California, followed quickly by a discovery in Australia, altered the relationship between gold and silver prices around the world. In the United States, a \$20 gold piece -- the double eagle -- was minted starting in 1850, and 175 million of the coins were produced before minting was halted in 1933.

Convertibility of Union currency into gold was suspended by banks and the U.S. Treasury in December 1861 as a result of large scale borrowing and money creation to finance the Civil War, disruption of trade, and general uncertainty arising out of the war. Convertibility of currency into gold was resumed by the U.S. Treasury on January 2, 1879.

From then until President Roosevelt's emergency order in 1933 calling in privately held gold coin, gold certificates, and bullion, the United States currency was convertible in gold. During this period, one of the finest of all gold coins was produced -- the St. Gaudens Double Eagle first minted in 1907, designed by Augustus St. Gaudens under direct order from President Theodore Roosevelt.

VI. PRICES

Over the centuries gold has been relatively stable in price. According to the book, "The Pound Sterling", by A.E. Faveryear (1931) the price in shillings for a troy ounce of fine gold was 60 shillings in 1546; 74 shillings, 7.5 pence in 1611; and 80 shillings in 1633. In 1717, Sir Isaac Newton, as Master of the Mint, fixed gold at 84 shillings, 11½ pence. This price held for 200 years, rising to £ 6, 8 shillings in September, 1939, and to £ 8, 12 shillings in 1945. After the 1944 Bretton Woods agreement, gold was at £ 8, 13 shillings, 8 pence in the sterling area; it was devalued to £ 12, 10 shillings in 1949, and to £ 14, 12 shillings in 1968.

After it became again legal for Americans to own gold, December 31, 1974, gold prices dropped. Gold's price rose to a peak on January 21, 1980, when the metal closed in New York at of \$850 per troy ounce.

Gold's long-term price stability during the period of the gold standard reflected steadfast government policies of converting, at a fixed rate, currency into gold and vice-versa. Where gold prices have not been supported by government policies, they fluctuate according to such factors as inflation, interest rates, political and economic anxieties, production/consumption ratios (including marketing from centrally planned economies whose actual production rates are unknown), and policy changes of governments and central banks.

Annual average prices of gold during the past decade are provided in Table I in the following section.

VII. PURCHASE OPTIONS

A variety of instruments are available today for individuals and for institutions to purchase and hold gold. Increasingly, it is recognized that gold has moved far beyond the historical role of a medium to be hoarded against disaster.

Gold is, perhaps, the most versatile asset among those covered by a recent Louis Harris survey of 600 executives, which found that 28% have -- or plan to have -- an investment in "precious metals, art and antiques". The same survey found that, among those who already hold such assets, 36% plan to increase the dollar amount of their holdings in 1983.

Gold's versatility stems from the availability of these options:

- * Coins or medallions minted by official government mints give assurance on weight and fineness and are readily remarketed;
- * Bullion bars and wafers can be purchased for delivery or through certificates of deposit;
- * Gold mining company stocks, American and foreign, tend to move with the price of gold;
- * Gold futures markets offer contracts to buy or sell a designated quantity of gold at a specific date forward, at a price set currently -- a medium for hedging for producers and users, and a risk venture for investors and speculators.
- * Gold coin exchange trading has been available since January 21, 1982 on the American Stock Exchange.

STATISTICS ON PRIVATE PURCHASE

TABLE I

WORLD NET PRIVATE PURCHASES OF GOLD BULLION AND COIN (Million Troy Ounces/Billion Dollars)

	1974	1975	1976	1977	1978	1979	1980	1981	1982e
Bullion Coins and Medallions	9.0	8.8	7.5	6.2	10.8	10.4	8.9	8.7	8.4
Bullion Total	17.2 26.2	4.4 13.2	1.6 9.1	7.0 13.2	5.3 16.1	11.9 22.3	7.6 16.5	1.6 10.3	2.3 10.7
Average Gold Price (\$/oz.)	\$159	\$161	\$125	\$148	\$193	\$307	\$613	\$460	\$375
Value of Bullion Coins & Medallions	\$1.4	\$1.4	\$0.9	\$0.9	\$2.1	\$3.2	\$5.5	\$4.0	\$3.2
Value of Change in Total Gold Holdings (including Bars)	\$4.2	\$2.1	\$1.1	\$2.0	\$3.1	\$6.8	\$10.1	\$4.7	\$4.0
Bullion Coins & Medallions as % of Total	34%	67%	82%	47%	67%	47%	54%	84%	79%

e - estimates

Sources: Consolidated Gold Fields;
J. Aron Research Department.

TABLE II

GOLD COIN SALES IN THE UNITED STATES*
(Thousand Troy Ounces/Million Dollars)

ORIGIN	1976	1977	1978	1979	1980	1981	1982
South Africa	648	1,145	3,201	1,770	1,566	777	910
Canada	253	98	15	297	822	763	676
Mexico	141	156	233	351	297	817	1,018
Others	290	215	287	372	753	369	279
Total	1,332	1,614	3,736	2,790	3,438	2,726	2,883
Average Gold Price (\$/Oz.)	\$125	\$148	\$193	\$307	\$613	\$460	\$375
Value	\$167	\$239	\$721	\$857	\$2,107	\$1,254	\$1,081

* Imports of gold coins and sales of U.S. Treasury Medallions.

Sources: U.S. Census Bureau;
J. Aron Research Department.

VIII. GLOSSARY

- ALLOY - A mixture of metals. Gold, an extremely soft metal, is often alloyed with small amounts of copper, nickel, silver, or zinc to make it harder and more durable.
- AMERICAN ARTS GOLD MEDALLION - Issued by U.S. Government in 1-ounce and 1/2-ounce sizes; not legal tender but having other bullion coin characteristics.
- ASSAY - To test a metal for purity.
- BARS - Gold bullion in sizes from one kilogram (approximately 32 ounces) to 400 ounces, generally bearing identifications of weight, fineness, assay mark and refinery.
- BID/ASK - Bid is the price a dealer, at any level in the distribution chain, will pay for gold bullion, coins or medallion. Ask is the selling price offered by the dealer. Spread is the difference between Bid and Ask prices.
- BULLION - Precious metal in the form of bars, wafers, or ingots. Standard gold bars are of .995 purity or finer.
- BULLION COIN - A legal tender precious metal coin issued by a government in standard weight and purity. The coins are priced near the price of bullion and are traded similarly to bullion. The major bullion coins are the Canadian Maple Leaf, the South African Krugerrand, and the Mexican 50-Peso.
- CHERVONETS - Soviet 10-ruble bullion coin sold outside the Soviet Union since December 1975.
- DOUBLE EAGLE - \$20 U.S. gold coin, designed by Saint-Gaudens at request of President Theodore Roosevelt, in 1907.
- FACE VALUE - The monetary value placed on its circulation coins by a nation, for each denomination. Also known as the nominal value.
- FINE GOLD - 24 karat gold without impurity; also known as pure gold.
- FINENESS - The amount of pure gold contained in 1,000 parts of an alloy; a gold bar of .995 fineness contains 995 parts gold and 5 parts of another metal; it is 99.5 percent pure gold. See "Karat."

FINE WEIGHT - Fine gold content in a bar or coin. Equals fineness times weight.

FIX - The price-setting for gold which occurs weekdays in London at 10:30 A.M. and 3:00 P.M., among the five member firms of the London Gold Market: N.M. Rothschild; Mocatta & Goldschmid; Sharps, Pixley & Co.; Johnson Mathey; and Samuel Montagu & Co. These dealers reach a mutually agreeable price by indicating supply and demand at various prices until an equilibrium, or "fix," results. Also called a "fixing."

FREE MARKET GOLD PRICE - The supply-and-demand price resulting from bid/ask trading worldwide.

GOLD/SILVER RATIO - A yardstick that reflects how many ounces of silver it would take to purchase one ounce of gold. For about a hundred years prior to 1979 the gold/silver ratio averaged 32/1, with the high approximately 90/1 in the 1890's and the low around 16/1 in 1979.

GOLD STANDARD - A monetary system based on convertibility of a country's currency into a fixed quantity of gold by the monetary authorities of the country.

HALLMARK - Mark or marks stamped on a bar of gold or silver, which indicate the producer and the bar's fineness; stems from markings approved by the Goldsmiths Hall; also known as a "chop."

KARAT - Unit of fineness equal to 1/24 part of gold in an alloy; 24 karat is pure gold; 22 karat is 91.67% gold; 14 karat is 58.33% gold; 10 karat is 41.67% gold.

KARAT GOLD - Gold of not less than 10 karat fineness.

KILO BAR - A bar weighing approximately one kilogram (32.1507 ounces).

KRUGERRAND - South African one-ounce gold coin, 22-karat gold (91.66 percent fine) minted since 1967; also available in half-ounce, quarter-ounce and tenth-ounce fine weights.

LIQUID - The ability to sell an asset at any time without incurring large costs.

LOCO (DELIVERY POINT) - The Latin term for "place" indicating location or place to which metal is delivered. Generally used to refer to entrepot city, such as London, New York, or Hong Kong.

LONDON GOOD DELIVERY BAR - A gold bar of approximately 400 troy ounces, minimum fineness of .995, and carrying the marks of an approved melter or assayer. A silver bar of approximately 1,000 troy ounces, minimum fineness of .999, and carrying the markings of a melter or assayer.

MARKET MAKER - A firm that makes a two-way market by buying or selling precious metals in accordance with market demands. Comparable to the role of specialists in an individual stock listed on an exchange.

MAPLE LEAF - Canadian bullion coin, minted since 1979, with \$50 (Canadian) face value and 99.99 percent fine gold purity.

MARKETING INFRASTRUCTURE - The gold bullion coin distribution network, which includes issuing countries; primary distributors; secondary distributors; institutional money managers; regional wholesalers, banks and brokers; and retail coin shops.

MARKS - The stamps imprinted on each bar by producers or assayers.

NUMISMATIC COINS - Coins, medals, and medallions prized as collectibles, whose prices are determined not only by the changing value of their precious metal content, but also by scarcity, beauty, and physical condition. These are not bought and sold as bullion pieces, and there is no assurance of a continuing two-way market. Premiums and transaction costs for numismatic coins like the U.S. Double Eagle are much larger than for bullion coins.

OBVERSE - Front side of coin, bearing principal design.

PREMIUM - In gold coinage, the premium is the amount by which the selling price of a coin exceeds the spot value of its gold content. Generally, part of that premium is returned to the owner at resale.

REVERSE - The back side of a coin, with seal or other significant subject for design.

SOLID GOLD - The U.S. Federal Trade Commission allows this term to be used for "any article that does not have a hollow center and has a fineness of ten karats or higher." Not to be confused with fine or pure gold.

SOVEREIGN - Gold coin of the United Kingdom, popular in the Middle East and India, but carrying a premium value too high to classify it with gold bullion coins. Face value of £1 and 916 & 2/3 fine gold content of .2354 ounces or 7.322385 grams.

SPOT PRICE - The price quoted throughout the trading day for gold to be delivered the next business day.

SPREAD - The difference between the buying and selling price.

STANDARD BAR - See "London Delivery Bar."

TROY OUNCE - Unit of weight for precious metals. One troy ounce equals 1.09711 avoirdupois ounces or 31.103 grams. There are 12 troy ounces to a troy pound.

WAFER - Bullion manufactured in a flat, generally rectangular shape ("gold wafer") and small in size (i.e., 1, 5, or 10 troy ounces).

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MAY 27 1980

OFFICE OF
SUPERINTENDENT
U. S. MINT AT DENVER

Q's and A's Regarding the Gold Medallion Program

Medallions-General

1. Q. I heard the Treasury Department is selling gold medallions. Can you tell me something about the program?

A. In compliance with Public Law 95-630, the Bureau of the Mint is offering one ounce gold medallions honoring Grant Wood and half ounce gold medallions honoring Marian Anderson. These may be ordered by mail this summer. The sale of the half ounce medallion will begin on June 16, 1980 and that of the one ounce on July 1, 1980. Ordering periods will continue until August 30 unless all medallions are sold prior to that date.

2. Q. Why is the Treasury Department selling gold medallions?

A. The American Arts Gold Medallion Act, passed by Congress and signed into law on November 10, 1978, mandates the striking and sale of gold medallions over a five year period. During each year of the program the Treasury Department is required to use at least one million ounces of gold to strike the medallions. This year 500,000 one ounce gold medallions honoring Grant Wood and one million half ounce gold medallions honoring Marian Anderson will be struck.

The American artists to be honored on the gold medallions are as follows:

<u>Year</u>	<u>Artist Honored on one ounce medallion</u>	<u>Artist Honored on half ounce medallion</u>
1980	Grant Wood	Marian Anderson
1981	Mark Twain	Willa Cather
1982	Louis Armstrong	Frank Lloyd Wright
1983	Robert Frost	Alexander Calder
1984	Helen Hayes	John Steinbeck

3. Q. Who is Grant Wood?

A. Grant Wood, who lived from 1892 until 1942, was an artist from Iowa whose oil paintings are noted for their portrayal of the rural American scene. His famous painting, American Gothic, owned by the Art Institute of Chicago, depicts an Iowa man and woman standing before a Gothic cottage style farmhouse. This painting is reproduced on the reverse of the one ounce Grant Wood medallion.

4. Q. Who is Marian Anderson?

A. Marian Anderson, born in 1902, is an American singer whose contralto voice is known and admired worldwide. She is noted for her rendition of the spiritual, He's Got the Whole World in His Hands. She is now retired and lives in Connecticut.

5. Q. Are the medallions made from 100% gold?

A. No, the law specifies that the medallions be struck in .900 fine gold which means 90% gold and 10% other metals, in this case, copper. The half ounce medallion weighs .555 troy ounces and contains one half troy ounce of gold. The ounce medallion weighs 1.11 troy ounces and contains one troy ounce of gold.

6. Q. Why aren't the medallions 24 karat gold?

A. Pure gold is a very soft material. A medallion of 24 karat gold would be more susceptible to damage and wear and would not be so durable as the .900 fine alloy.

7. Q. What is .900 fine gold?

A. Gold which is .900 fine contains 900 troy ounces of gold in each 1000 ounces of medallions. The other 100 ounces are copper.

8. Q. What is the karat of the gold medallions?

A. They are 21.6 karat.

9. Q. What is the diameter of each medallion?

A. The half ounce gold medallion has a diameter of 1.08 inches. The one ounce gold medallion has a diameter of 1.26 inches.

10. Q. What is the thickness of the medallions?
- A. The one ounce gold medallions are 0.112 inches in thickness.
The half ounce gold medallions are 0.078 inches in thickness.
11. Q. What is the weight of the medallions?
- A. The one ounce gold medallion weighs 34.56 grams or 1.11 troy ounces. The half ounce gold medallion weighs 17.28 grams, or 0.555 troy ounces
12. Q. Will the medallions have a reeded edge?
- A. No, like most medals and many ingot-shaped small gold bars, the medallions have smooth edges.
13. Q. What will be the surface appearance condition of the medallions?
- A. The surface appearance of the medallions will be similar to that of new coins issued by the Mint for circulation.
14. Q. Will I receive a certificate of authenticity with the medallions?
- A. The U.S. Government as issuing authority, authenticates these medallions. No certificates of authenticity will be provided. Public Law 95-630 provides for the same protection against counterfeiting to apply to these medallions as applies to U.S. coinage.
15. Q. Where is the gold coming from to make the medallions?
- A. The gold is coming from U.S. Government gold bullion reserves.
16. Q. How many medallions will be produced?
- A. The law specifies that at least one million ounces of gold be used to strike the medallions during each of the five years. For 1980 the production of the one ounce gold medallions will be limited to 500,000 one ounce pieces and one million half ounce pieces.

17. Q. How do these medallions compare with the Krugerrand and other similar gold pieces?
- A. Although they are not intended as circulating coinage, the Krugerrand and the Mexican gold pieces, for example, are foreign coins struck as legal tender of the country of origin. American Arts Gold Medallions do not have any legal tender value. They are commemorative medals rather than coins. The Grant Wood medallions contain one troy ounce of gold, as do the Krugerrands.
18. Q. Is this a good investment?
- A. Gold is a very volatile commodity and the price changes quickly in response to trader supply and demand. Over the short term, it is a very risky investment with large potential for gain or loss. Gold held for several years, particularly during periods of inflation, may be a good investment, depending upon the original purchase price, the rate of inflation and other factors.

Ordering

19. Q. How do I order a gold medallion?
- A. The price of the medallions may be obtained by calling the toll free telephone number on the order form. Obtain an order form from your post office or the Bureau of the Mint. Read the order form carefully. It contains all necessary information and instructions. Payment may be made only by cashier's check, certified check or U.S. Postal Service money order. The order form must be validated and surrendered at the post office. For the order to be accepted, the date stamp must correspond to the medallion price quoted on the toll free telephone number for that day.
20. Q. Why must I use a cashier's check, certified check, or a postal money order?
- A. The Treasury Department requires a guaranteed, irrevocable payment to ensure payment for its bullion and to avoid order cancellations by customers concerned about gold price fluctuations subsequent to placing their orders.

21. Q. Do I have to use an order form?

A. Yes. Orders are accepted only on the official order forms.

22. Q. Can I order as many as I would like?

A. No. Each customer may order a maximum of three(3) one ounce medallions and three(3) half ounce medallions. There are separate order forms for each size of medallion. The three medallions need not be purchased at the same time, but no order involving a fourth medallion will be accepted from any one customer.

23. Q. When will the prices for each day be available on the toll free number?

A. Each day's prices will be available on the toll free number from 12:05 AM to 11:55 PM Eastern Daylight Time.

24. Q. Will I have any problem reaching the toll free telephone number?

A. Unless there is very heavy usage, there should be no problem in reaching the toll free telephone number. If you get a busy signal, try again later. Remember to dial "1" before the 800 number, if required in your area.

25. Q. How do I as an American living in a foreign country order a gold medallion?

A. Because medallions will be sent by registered mail, the Mint can only process orders with stateside, U.S. territories, APO and FPO addresses. If you live in a foreign country, you may wish to ask a relative or friend to submit your order for you for delivery to your APO or to their stateside address.

26. Q. What do I do if the post office does not have any order forms?

A. Ask your postal clerk to obtain them from his sectional center, or obtain one from the Bureau of the Mint or its sales areas. The addresses are:

Bureau of the Mint
501 13th St., NW
Washington, DC 20220

Philadelphia Mint Sales Area
Independence Mall
Philadelphia, PA 19106

San Francisco Old Mint
55 Mint Street
San Francisco, CA 94175

Denver Mint Sales Area
320 West Colfax Avenue
Denver, CO 80204

Department of the Treasury Sales Area
15th Street & Pennsylvania Avenue
Washington, DC 20220

27. Q. When is the ordering period for the medallions?
- A. The Marian Anderson Half Ounce Gold Medallion will be available beginning June 16 and the Grant Wood One Ounce Gold Medallion will be available beginning July 1. The sale for both medallions will continue until August 30 unless all medallions produced are sold prior to that date.
28. Q. Where can I get information concerning the gold medallion program?
- A. Information may be obtained from the Bureau of the Mint, 55 Mint St., San Francisco, CA 94175, the Mint's four sales areas the addresses of which are listed in answer no. 26, Federal Information Centers listed in your local telephone directory, and from the order forms available at all Post Offices.
29. Q. Will the Treasury Department advertise this sale in major newspapers and other news media sources?
- A. Several press releases will be sent to daily and weekly newspapers as well as numismatic publications. Other forms of advertising may be used later in the summer.

Costs

- 30 Q. How is the price of the gold medallions being determined?
- A. The medallions will be sold at a price based on the daily market value of gold, plus the costs of manufacturing and distribution. The New York Commodity Exchange will be used to determine the daily market value of gold. Because of the widely fluctuating gold value, the prices of the medallions will be set each day, except for Sundays and U.S. holidays.
31. Q. How is the premium on the price of the medallion determined?
- A. The premium is determined on the basis of all manufacturing and distribution costs. These figures will be included in the price quoted on the toll free telephone number listed on the order card.

32. Q. Where will the profits from the gold medallions go?

A. All of our sales proceeds, after reimbursement of the Treasury Bullion Fund at \$42.222 per troy ounce, are returned to the General Fund of the Treasury for the benefit of all taxpayers.

After Ordering

33. Q. After I order the gold medallions, how long will it be before I receive them?

A. After orders for the gold medallions are received at the San Francisco Old Mint it will be approximately eight to twelve weeks before customers receive their order.

34. Q. Will I receive an acceptance card for my order?

A. Customers should receive acceptance cards within two to three weeks after their order has been received by the San Francisco Old Mint. The card will show the order identification number, how many were ordered, the type of medallion, the year of the program and the expected delivery date.

35. Q. If I do not receive my order for gold medallions by the expected delivery date, what should I do?

A. Write to the Bureau of the Mint, 55 Mint Street, San Francisco, California 94175, explaining that your order has not been received. It will assist us in our search if you include copies of your records, such as proof of purchase, your acceptance card with your order number, etc. If your order seems to have been lost in the mail, the Mint will initiate a postal trace of your order.

36. Q. What if my gold medallions are never received/lost in the mail?

A. In the event that your order is not received, the Bureau of the Mint will, at its option, reship the medallions or refund the amount of your certified payment for the order. In the event medallions are lost in the postal system, the purchase price will be refunded.

37. Q. How will the gold medallions be packaged?

A. The gold medallions will be packaged in a 3- $\frac{1}{2}$ inch by 5- $\frac{3}{4}$ inch styrofoam holder which has a clear plastic covering. Written on this clear plastic covering is the identification of the program and the gold content of the medallion.

38. Q. How will the gold medallions be delivered?
- A. The gold medallions will be sent by first class registered mail.
39. Q. What should I do if my gold medallion could not be delivered by the post office?
- A. Undeliverable orders will be returned to the San Francisco Old Mint, 55 Mint St., San Francisco, CA 94175. Customers must notify the Mint of changes of address or a request for reshipment within 12 months from the date the order was placed.
40. Q. Will the Mint replace the gold medallion if its arrives damaged?
- A. The gold medallions will be struck in a condition similar to that of the new coins issued by the Mint for general circulation. Damaged gold medallions will not be replaced.
41. Q. What should I do if my package is incomplete?
- A. The customer must bear the burden of proof. The Mint is taking precautions to assure that the packaging is accurate. However, in the event of shortage the customer must bear the burden of proof. Each case will be judged on its own merits, but it is preferable that the customer open the package in the presence of witnesses.
42. Q. Can I be put on a mailing list for future offerings?
- A. The Bureau of the Mint will not keep a mailing list of gold medallion customers. Announcements of future offerings will be made available in the daily and weekly newspapers as well as numismatic periodicals.
43. Q. What artists will be honored in the following years?
- A.
- | <u>Year</u> | <u>Artist Honored
on one ounce medallion</u> | <u>Artist Honored
on half ounce medallion</u> |
|-------------|--|---|
| 1980 | Grant Wood | Marian Anderson |
| 1981 | Mark Twain | Willa Cather |
| 1982 | Louis Armstrong | Frank Lloyd Wright |
| 1983 | Robert Frost | Alexander Calder |
| 1984 | Helen Hayes | John Steinbeck |

44. Q. Will the Treasury Department guarantee the price on a "buy back"?

A. The Treasury Department will not repurchase your medallion. For resale, you may wish to contact a collector or dealer in your area.

45. Q. If all the medallions are not sold during the 1980 program, will they be offered at a later date under different conditions?

A. If all the gold medallions are not sold by the end of the ordering period it is possible that the Government will offer them in the future.

46. Q. When will the next program begin?

A. The Department of Treasury plans to offer a one ounce and half ounce medallion to the public each year, 1980 through 1984. Ordering periods will be announced in the daily and weekly newspapers as well as numismatic periodicals.

GOLD AND THE U. S. MONETARY STANDARD

The coinage of gold was authorized by the Act of April 2, 1792, which established the Mint and provided for a national coinage. Denominations ranging from one dollar through twenty dollars were manufactured at various times from 1795 through 1933. None have been struck since that date.

In the course of the last four decades, gold, including gold coins, has been substantially eliminated from the domestic monetary system. The Gold Reserve Act of 1934 ended the redemption of our currency in gold and prohibited the coinage of gold. In 1968 the remaining requirement that our currency have a percentage backing in gold was eliminated, and in 1971, the United States suspended the convertibility of foreign official dollar holdings into gold. Restrictions on gold ownership by United States citizens were removed on December 31, 1974.

Today, no country is on a domestic gold standard and only a few countries still retain some fractional gold reserve backing for their currencies. Agreement has been reached by the members of the International Monetary Fund on measures to reduce the international monetary role of gold. The declining monetary role for gold, both domestically and internationally, reflects the general recognition that gold is an unstable basis for a monetary system.



Million Dollars in Gold
Old Mint Museum
5th & Mission Sts.
San Francisco, CA 94103



2008

UNITED STATES MINT

U.S. Debt Information

ACD PR 5 A 92
THE BUREAU OF PUBLIC DEBT
WASHINGTON, D.C. 20548

